

Micro-insurance for Disaster Management – A Case of Afat Vimo in Orissa

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Abstract

Disasters are responsible for losses due to economic, political and social damages in the society. The economic losses in case of disasters are relatively higher for vulnerable people who live in disaster affected areas. However, in the most cases, the loss estimation does not engulf loss of income and livelihoods of poor people and on the other hand, poor people have no basic knowledge about the micro-insurance especially the poor people who live in the disaster prone areas. Due to this they have no means to get such type of micro-insurance services. This is why poor people in disaster prone areas outstay plenty as compared to the remaining groups in the society.

This research work deals that the disaster micro-insurance should be seen as a very important tool for the long term disaster risk reduction in wide scale in the context of disaster management. There is need to concatenation in the disaster management with the micro-insurance as well as to increase the consciousness of micro-insurance among the poor people.

1. Introduction

In lights of the priorities for action of the Hyogo Framework for Action- the motives of development, risk reduction and eradication of the poverty must exhaustive into the policies for reducing the risk factors. We know that the poor people do work hard for many years with the expectation to increase their income and assets so that they can get out of the poverty cycle. When Natural Disaster takes place and abolishes all their efforts and properties. Such kind of the disasters forces these vulnerable people to hinge in the poverty cycle again.

Micro insurance is one of the emphatic ways to crack the Cycle of poverty by providing low-income households, farmers, and businesses with penetration to post disaster liquidity.

Micro-insurance is based on the economics risk transfer in exchange premium payment contrary the losses due to the natural disaster for affected people.

There are various micro-insurance schemes that are running in India. There are some schemes i.e. GSDM, Vimo SEWA, Swayamkrushi, Afat Vimo and others. Out of which, Afat Vimo is one type of the disaster micro-insurance is made for providing the micro-insurance services to vulnerable people in the period of the disaster.

Afat Vimo played a prominent role in the Phailin Cyclone 2013. There is the great difference between super cyclone 1999 and Phailin Cyclone 2013. During the super cyclone 1999, casualties were 10000 people whereas Phailin Cyclone 2013 was the double tragedy because after cyclone flash flood occurred in Orissa. During the

cyclone, 21 lives were lost and after cyclone 23 additional lives were lost due to the flash flood in Orissa. There is a great difference in the casualties between Super Cyclone 1999 and Phailin Cyclone 2013 due to the constant enquiry of weather pattern and Indian Meteorological department updated about the movement of Cyclone so that vulnerable people could move to safe areas. (UNEP, 2013)

Afat Vimo played prominent role in phailin Cyclone 2013 in post disaster liquidity. Afat Vimo in Orissa sets paradigm for the rest state of India that how to utilize the resources accomplished in the context of disaster management.

2. Status and Demand of the disaster micro-insurance-

Table1. Showing the population excluded from the Insurance

Countries	Percent	Million
India	90	950
Bangladesh	93	134
Pakistan	97	147
Nepal	95	23

Source: Mare Socquetl, 2005.ILO/STEP, Micro-insurance Workshop, Hyderabad.

According to this table, the 90% population of India is isolated from the insurance services. . After recognition of these gaps, Some MFIs, NGOs, Government authority and other private companies have made such kinds of the products for the poor people in which premium should be low. Such type of products added under the Micro insurance products.

India is one of the country who greatly movable in the micro-insurance segment in

the world. In India market penetration is expansively operated by supply instead of demand. There is the great probability market for the micro-insurance in India so far very less people are insured as well as only some insurance companies' enterprise into this sector.

According to a study by the UNDP, the outreach of micro-insurance is around 5 million people; covering only 2% of the poor in the country (UNDP, 2007). This report shows that very few people get the

benefit of the micro-insurance. So, there is need to increase the awareness among the people so that every poor people can get gain from the micro-insurance services. The success and sustainability of the micro-insurance product depends on the low market cost of the micro-insurance products. Thus, India is one of the charming places for this kind of sector in the world.

3. Afat Vimo Disaster Micro-insurance in Orissa

Afat Vimo is one type of disaster insurance is intended to bestow the services for the poor people who dwell in the disaster prone areas. The motive of Afat Vimo is to protect the property and livelihoods of poor people in the moment of disaster.

Afat Vimo evades the 19 types of disasters like Floods, Earthquakes, Cyclones and Droughts etc. This scheme is based policyholder groups rather than individuals or households.

Table2. Afat Vimo Disaster Micro-insurance Scheme

Scheme	Afat Vimo
Delivery Model	Partner-Agent Model
Premium	148 rupees annually
Client	950 (2012)
Cover	Total Coverage- 95,000 rupees

Here, Total Coverage also includes the various components. The following table show the component of the coverage.

Table3. The Components of Total Coverage

Various Scheme Component	Amount
Lost life	25,000 rupees
Damage to house	15,000 rupees
Damage to house contents	15,000 rupees
Stock-in-trade	15,000 rupees
Personal accident	25,000 rupees
Total Coverage	95,000 rupees

According to this table, Total Coverage includes the various components like lost life, damage to house, damage to house contents, stock-in-trade and personal accident. The total coverage is 95,000 rupees in which the summation of these components is included.

3.1. Feature of Afat Vimo

The main feature of Afat Vimo is that it is the united or joint policy. According to this the life and non-life coverage are incorporated into one policy. This feature makes the policy attractive as well as the investment well made in the economic zones.

3.2. The role of AIDMI and SWAD in Orissa

The Afat Vimo is based on the partner-agent model. Under this model, the

partnership formed between insurer (LIC and UIIC) and agent (AIDMI and SWAD). SWAD (Society of Women action Development) is one of the non-government organizations for the development of poor rural women in the informal sector. It was established in 1989. SWAD is working Puri and kandhamal district of Orissa and spread over 160 villages. SWAD was the implementation agency and responsible to collect the premium from the clients whereas AIDMI was the technical agency to set as well as the design the insurance policies for the affected or vulnerable people in Orissa.

LIC (Life Insurance Corporation of India) and UIIC (United India Insurance Company) use the distribution channel of SWAD to insure the affected the people in Orissa.

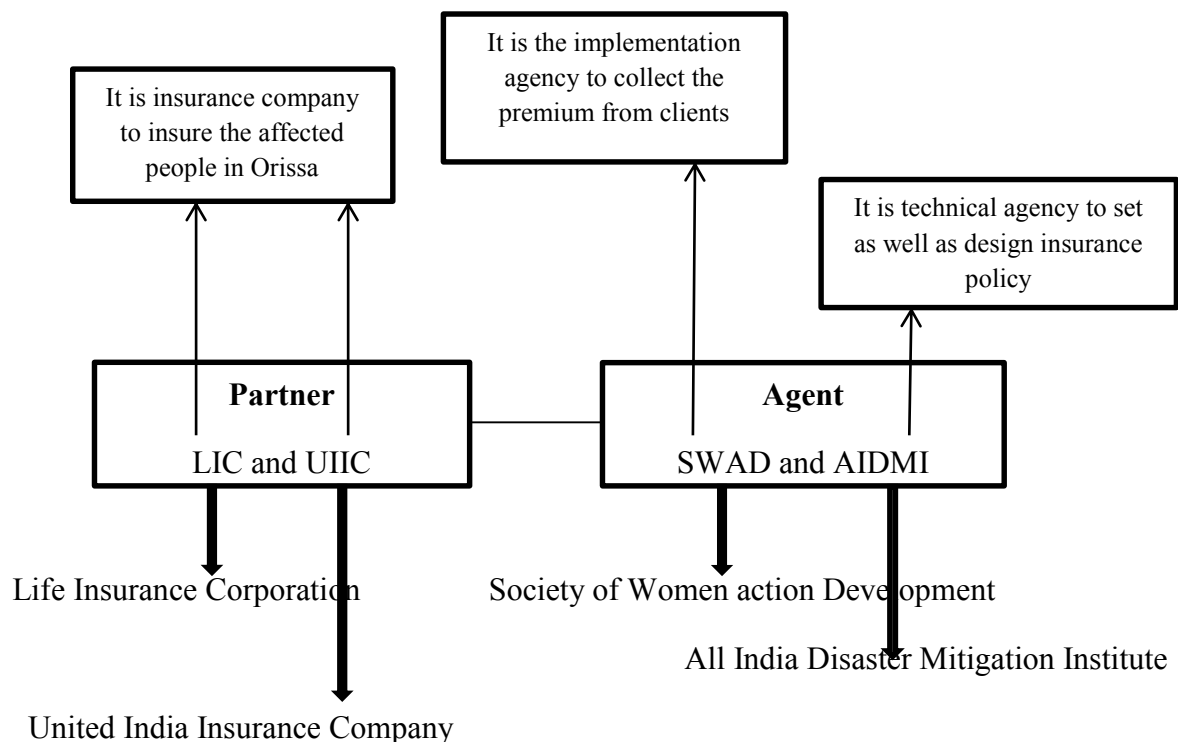


Figure1. Partner-agent model of Afat Vimo in Orissa

AIDMI (All India Disaster Mitigation Institute) is also non-government organizations established in Gujarat. It works for long-term disaster risk reduction policies and programs to mitigate the national and international level of disaster risk reduction. It covers 9 types of disasters along with twelve areas in India as well as eight countries in Asia. The Role of AIDMI in Afat Vimo is that it provides the technical support likes procedures, monitoring, training, policies design along with insurance companies for the SWAD.

The responsibility of the SWAD is to collect the premium from the clients and deliver to AIDMI. AIDMI takes these

premiums and pays to insurance companies for running of claim settlement process.

3.3. Claim Handling Process

While happening of the disasters, SWAD takes the responsibility to fill the claim forms along with document of the affected clients. After collecting all forms from the affected clients, SWAD gives all these forms to AIDMI so that AIDMI contact the insurance companies to start the claim settlement process as fast as.

Table4. The Details of the Claim handling Process

Claim Registered	165
Claim settled	125

Percentage of Claim Settlement



Figure2. Pie Chart of Claim Settlement

During phailin cyclone 2013, 165 clients were affected due to loss and damage. The

SWAD took the responsibility to fill the claim forms and after that AIDMI

delivered such filled forms to the insurance companies to start of claim settlement procedure in mid-January 2014.

After completion of the claim settlement procedure 125 claims have settled against the 165 claims in March 2014. The combined pay-out was 400507 rupees with the range from 1750-17000 rupees whereas the annual premium was 148 rupees.

According to Pie Chart, successful claim is around 75.5%. It pointed that Afat Vimo successfully worked as a disaster micro-insurance for the affected people in Orissa.

4. Conclusion

- (i) Micro-insurance is not one of the ways to abolish the impact of the disaster but it can provide the services to vulnerable communities to indemnification against the losses due to the disaster. So, there is a need to concatenation the micro-insurance along with the disaster management for the sustainable development as well as to encourage the long term risk reduction. Disaster Micro-insurance is one of the good ways to empower the vulnerable communities to live with prestige and not dependent on the mercy of the other people.
- (ii) Afat Vimo disaster micro-insurance made successfully claim settlement procedure in the short period. It has **75.5%**

successfully settled. So, Afat Vimo disaster micro-insurance scheme set a paradigm to rest all states of the India that how to make use of the resources dominantly in the context of disaster management. This scheme is based on the partner-agent model which shows that the partner-agent model is successful for the India.

- (iii) There are **90%** population of the India debarred from the insurance services because of higher transaction cost and higher premiums. So, Some MFIs and some other authorities 'proposed the concept of the micro-insurance along with low premium. Despite Only **2%** population of India got insured. This shows that there are very few people are insured. So, there is a need to conduct incentive program for increasing the awareness among the social groups especially most vulnerable people in the society.
- (iv) The Afat Vimo Scheme is based on the partner-agent model. In this model, there is more than one agency involved like AIDMI and SWAD. Both agency played momentous role to completion of the claim settlement process in Phailin Cyclone 2013. The Claim Settlement procedure started in January 2014 and completed in March 2014. This indicates that if more than one organization include in the partnership, the

model will work better than single party in partner-agent model. This serves to reduce the operating cost or fixed cost of the insurance companies. Thus, micro-insurance works require the commitment of various agencies with different expertness for the long term disaster risk reduction.

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